

Minneapolis Community Development Agency

Request for City Council Action

Date: July 29, 2003

To: Council Member Lisa Goodman, Community Development Committee
Council Member Barbara Johnson, Ways and Means/Budget Committee
Refer to: MCDA Board of Commissioners

Prepared by Charles Curtis, Financial Analyst, Phone 612-673-5069

Approved by Lee Sheehy, MCDA Executive Director
Chuck Lutz, MCDA Deputy Executive Director _____

Subject: A Public Hearing and Request for Preliminary Approval of up to \$3,000,000 in Minneapolis Community Development Agency, Limited Tax-Supported Development Revenue Bonds, Series 2003, to be Issued in Two Series with \$2,500,000 of the Bonds Qualifying For Tax-exempt Status for Kristol Properties, LLC to be Issued Through the Minneapolis Common Bond Fund.

Previous Directives: None for this proposed project. The facility is currently within the Common Bond Fund under a 1987 financing with a third party, the balance to be paid under the new proposed financing.

Ward: 9

Neighborhood Group Notification: Longfellow Neighborhood has been notified.

Consistency with *Building a City That Works*: The proposed project is consistent with Goal 1 to increase the City's economic competitiveness and extend the benefits of the growing economy to all Minneapolis residents.

Comprehensive Plan Compliance: The proposed project is in compliance.

Zoning Code Compliance: Existing facility. The proposed project is in Compliance.

Crown Roller Mill,
105 Fifth Ave. S., Suite 200
Minneapolis, MN 55401-2534
Telephone: (612) 673-5095
TTY: (612) 673-5154
Fax: (612) 673-5100
www.mcda.org

Impact on the MCDA Budget:

- ☐ No financial impact
- ☐ Action requires an appropriation increase to the MCDA Budget
- ☐ Action provides increased revenue for appropriation increase
- ☐ Action requires use of contingency or reserves
- ☒ Other financial impact (Explain): The issuance of revenue bonds will generate annual administrative fees that are used to support the small business assistance programs of the City.

Living Wage/Business Subsidy: Does not apply.

Job Linkage: Kristol Properties, LLC will execute a job linkage agreement.

Affirmative Action Compliance: Kristol Properties, LLC will complete an Affirmative Action Plan prior to closing.

RECOMMENDATION:

City Council Recommendation: The Executive Director recommends that the City Council pursuant to MCDA Resolution No. 87-171M adopted by the Board of Commissioners of the Minneapolis Community Development Agency on July 16, 1987, that these Common Fund Bonds be designated, if and when issued, as bonds entitled to the Security provided by Ordinance No. 87-OR-084, Tax Reserve and Pledge Ordinance.

The Executive Director recommends that the City Council adopt the attached Resolution, following a public hearing held on July 29, 2003, notice of which was published in the FINANCE AND COMMERCE on July 12, 2003, giving Preliminary Approval of up to \$3,000,000 in Tax-exempt and Taxable Minneapolis Community Development Agency, Limited Tax Supported Development Revenue Bonds, Common Bond Fund Series 2003, for Kristol Properties, LLC to be issued through the MINNEAPOLIS COMMON BOND FUND and designating the bonds as bonds entitled to the security provided by Ordinance No. 87-OR-084, Tax Reserve and Pledge Ordinance.

MCDA Board Recommendation: The Executive Director further recommends that the City Council forward this report to the Minneapolis Community Development Agency Board of Commissioners for their approval and adoption of the attached resolution; giving Preliminary Approval of up to \$3,000,000 in Tax-exempt and Taxable, Limited Tax Supported Development Revenue Bonds, Common Bond Fund Series 2003, for Kristol Properties, LLC to be issued through the MINNEAPOLIS COMMON BOND FUND.

PROJECT LOCATION & DESCRIPTION:

The proposed project consists of the acquisition of an existing 45,000 square foot facility located at 2843 26th Avenue South, significant renovation of the facility and surrounding parking and the purchase of production equipment.

7-Sigma is a family owned and operated company and is the single occupant of the facility. The operating company has been purchased by the son of the founder of the company. The proposed financing would complete the generational transfer of the company by allowing the purchase of the real estate by the son from the father.

Kristol Properties, LLC is a real estate holding company formed by the son, Kris Wyrobek, to facilitate this transaction. 7-Sigma will remain the only tenant of the facility.

7-Sigma is a precision manufacturing firm which designs, manufactures and refurbishes precision components for the printer and copier industry, as well as other parts for the office products markets. The major emphasis of its products is the high speed movement of paper. 7-Sigma also participates in research and new product development.

TYPE OF FINANCING:

<u>Sources:</u>	Tax-exempt Revenue Bonds	\$2,500,000
	Taxable Revenue Bonds	500,000
	Equity	500,000
	Total	<u>\$3,500,000</u>

<u>Uses:</u>	Purchase Building	\$1,200,000
	Renovation	750,000
	Equipment	1,200,000
	Reserves and Expenses	350,000
	Total	<u>\$3,500,000</u>

PRESENT EMPLOYMENT:

72
29 of the employees are Minneapolis residents.

NEW EMPLOYMENT:

6

ASSESSOR'S ESTIMATED ANNUAL TAX INCREASE:

\$15,750

AFFIRMATIVE ACTION COMPLIANCE:

Kristol Properties, LLC: The company will complete an Affirmative Action Plan prior to closing.

MCDA IRB POLICIES:

Job Component	<p>Minimum standard of one (1) job per 1,000 square feet of building area.</p> <p><u>Kristol Properties, LLC:</u> In compliance.</p>
Property Improvements	<p>No more than 25% of the bond proceeds may be used for land and acquisition. If purchasing an existing building, an amount equal to at least 15% of the acquisition cost must be spent on rehabilitation expenditures.</p> <p><u>Kristol Propertire, LLC:</u> In compliance.</p>
Development Standards	<p>Compliance with the Land Use Plan of the City's Comprehensive Plan.</p> <p><u>Kristol Properties, LLC:</u> In compliance.</p>
Equipment Financing	<p>Limited to companies that create or preserve a significant number of jobs, and the equipment financed must be sufficiently secured. No more than 10% of the bond proceeds may be used to finance movable equipment not constituting a fixture.</p> <p><u>Kristol Properties, LLC:</u> In compliance.</p>
Restaurant/Bank	<p>IRB financing is allowed for a restaurant or a bank if it is built or rehabilitated in an MCDA Redevelopment Area. No more than 25% of the bond proceeds can be used to finance retail food and beverage establishments, automobile dealerships or recreation or entertainment facilities.</p> <p><u>Kristol Properties, LLC:</u> NA</p>
Tax-exempt Institution	<p>Refinancing is permitted when new jobs are created or when a significant number of jobs is preserved; any interest cost savings must directly reduce patient costs.</p> <p><u>Kristol Properties, LLC:</u> NA</p>

IRB CAP:

The project is subject to the State's limit on tax-exempt bond financing. An Allocation for tax-exempt bonding authority will be requested from the State following Preliminary Approval.

BOND COUNSEL:

Gray, Plant, & Mooty

FINANCIAL ADVISOR:

Dougherty & Company, LLC

REVIEW BY THE COMMON BOND
FUND COORDINATING COMMITTEE:

An initial review of the project was made at the meeting on July 1, 2003. Preliminary approval was granted, subject to final terms and conditions.

Giving preliminary approval to and authorizing a project on behalf of Kristol Properties, LLC, and authorizing the issuance of revenue bonds or notes of the Minneapolis Community Development Agency therefor, payable primarily from revenues derived pursuant to a revenue agreement.

WHEREAS, the City Council, by Ordinance No. 81-Or-017, as amended by Ordinance No. 82-Or-076, reorganized and renamed the Housing and Redevelopment Authority in and for the City of Minneapolis as the Minneapolis Community Development Agency (the “Former Agency”), and granted additional powers and duties pursuant to Minnesota Laws of 1980, Chapter 595; and

WHEREAS, the City Council, by Ordinance No. 86-Or-035, renamed the Former Agency as the Minneapolis Public Housing Authority in and for the City of Minneapolis and created a new public corporation named the Minneapolis Community Development Agency (the “Agency”) to which it granted the development powers of the Former Agency and to which it extended the development obligations of the Former Agency; and

WHEREAS, pursuant to Minnesota Laws of 1980, Chapter 595, Ordinance No. 81-Or-017, as amended, and Ordinance No. 86-Or-035, as amended, of the City Council and Minnesota Statutes, Sections 469.152 through 469.1651 (collectively, the “Act”), the Agency is authorized to issue revenue bonds or notes for the purpose of providing financing for the acquisition, construction, rehabilitation and installation of projects consisting of real and personal properties used or useful in connection with a revenue producing enterprise engaged in any business; and

WHEREAS, by Resolution No. 82-512, adopted by the Former Agency on December 15, 1982, as amended, the Former Agency established a certain common bond fund and provided for the issuance from time to time by the Agency of economic development revenue bonds to be secured thereby (“Common Fund Bonds”); and

WHEREAS, pursuant to Ordinance No. 86-Or-035, as amended by the Minneapolis City Council on June 27, 1986, the Agency has authority to issue Common Fund Bonds and is the successor to the Former Agency for purposes of Common Fund Bonds; and

WHEREAS, Kristol Properties, LLC, a Minnesota limited liability company (the “Company”), has proposed to acquire, improve and equip a manufacturing building to be located at 2843 – 26th Avenue South in the City (hereinafter, the “Project”), and the Project will be leased by the Company to 7-SIGMA, Inc., a Minnesota corporation, to be used in the operation of its printer and copier component manufacturing business; and

WHEREAS, the Company has proposed that the Agency finance the Project by the issuance of its Common Fund Bonds under the Act in one or more series, in the approximate aggregate amount of \$3,000,000 (the “Bonds”); and

WHEREAS, the City Council has been advised that in accordance with the Act, a public hearing on the proposal to finance the Project has been conducted by the Community Development Committee of the City Council on behalf of the Agency, preceded by notice thereof as required by the Act, and at such public hearing all parties were given an opportunity to express their views with respect to the proposed undertaking and financing of the Project;

WHEREAS, the City Council has been further advised that the proposed bond issue has been submitted to the Mayor and the Planning Commission of the City of Minneapolis at least fourteen (14) days prior to consideration hereof; and

WHEREAS, the Agency, by resolution adopted or to be adopted on the date hereof, has or will give preliminary approval to the Project in accordance with the Act;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MINNEAPOLIS:

That the City Council hereby gives preliminary approval to the Project and the issuance by the Agency of its Bonds pursuant to the Act for the purpose of financing the Project in the aggregate sum of \$3,000,000 or such other amount approved by the Agency not exceeding such sum by more than ten percent (10%);

Be It Further Resolved that this approval by Ordinance No. 86-Or-035, as amended, of the City Council is hereby given as required.